



The Annual General Meeting of the Company will be held on October 24, 1968, at the Calgary Inn, Calgary, Alberta, commencing at 10:00 o'clock in the forenoon.

The notice of meeting, proxy and information circular are enclosed.

HIGHLIGHTS

Financial

	1968	1967
Gross income after royalty	\$ 277,045	\$ 260,259
Cash flow	\$ 35,221	\$ 50,212
Net profit	\$ (16,475)	\$ 5,992
Working capital	\$ (448,168)	\$ (35,234)
Outstanding shares common stock	5,164,641	5,144,641

Operating

Oil production, gross bbls.	65,169	79,135
Oil production, net bbls after royalty	55,651	63,684
Gas production, gross Mcf	1,022,698	468,518
Gas production, net Mcf after royalty	866,805	398,571
*Gross working interest land, acres	7,855,042	752,873
*Net working interest land, acres	917,031	177,818
*Net working interest land after conversion, acres	491,934	117,700
Gross royalty land, points	13,935	14,683
Net royalty land after conversion, points	7,689	7,392

Drilling Program

Drilling and land acquisition costs	\$ 544,658	155,985
Total gross wells drilled	18	4
Successful gross wells drilled	10	2
Total net wells drilled	10.86	0.88
Successful net wells drilled	7.46	0.38

** Includes Company's interest of 25 percent in acreage owned by Syracuse Oils Norge A/S and 13-1/3 percent in acreage owned by Woodford Oil & Gas Ltd.*

SYRACUSE OILS LIMITED AND SUBSIDIARY COMPANIES

Directors

J. RICHARD HARRIS

President, Calgary, Alberta

ARTHUR POLLARD

Refinery and Pipeline Executive, Les Marronniers, Jersey, C.I.

JAMES S. PALMER

Barrister and Solicitor, Calgary, Alberta

ANGUS A. MACKENZIE

Oil Executive, Sunningdale, Berks., England

GEOFFREY KOHN

Financier, Birmingham, England

Officers and Key Personnel

J. RICHARD HARRIS, *B.Sc., M.A., P.Geol.*

President and General Manager

ARTHUR POLLARD

Vice-President

JAMES S. PALMER, *B.A., LL.B.*

Secretary and Treasurer

WILLIAM R. KEIR, *B.Sc., P.Eng.*

Chief Engineer

ART H. GILMOUR

Chief Accountant

Registrars and Transfer Agents

GUARANTY TRUST COMPANY OF CANADA, Calgary, Vancouver
JOSOLYNE, MILES & CASSLETON ELLIOTT, London, England

Auditors

NASH & NASH, Edmonton and Calgary

Stock Exchanges

VANCOUVER, British Columbia

CALGARY, Alberta

LONDON, England [Section 163(I)E]

Bankers

THE ROYAL BANK OF CANADA, Calgary

Solicitors

BURNET, DUCKWORTH, PALMER, TOMBLIN

AND O'DONOGHUE, Calgary

Consultants

McDANIEL CONSULTANTS (1965) LTD., Calgary

WHOLLY-OWNED COMPANIES:

VANLORNE OILS LIMITED

MYSTERY OIL LIMITED

DUNDEE OILS LTD.

NORTHERN ALBERTA PIPELINES LIMITED

AFFILIATED COMPANIES:

SYRACUSE OILS NORGE A/S (25%)

WOODFORD OIL & GAS LTD. (13-1/3%)

SYRACUSE OILS LIMITED AND SUBSIDIARY COMPANIES

1968 annual report



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HEAD OFFICE

635 Bentall Building - Calgary, Alberta

Telephone 403/264-1195 Cable "Syracuse"

REPORT OF DIRECTORS

Corporate

The Directors herewith present the Annual Report for Syracuse Oils Limited for the fiscal year ended May 31, 1968.

During the 1968 fiscal year the most important event was the signing of a long-term gas purchase contract with Albersun Oil & Gas Ltd. covering the sale of the Company's gas reserves at Lac La Biche. Albersun will transmit the Company's gas for resale to the town of Fort McMurray and to the Great Canadian Oil Sands project near Fort McMurray. This contract was won by the Company in competition with two other sources of gas supply and is considered a significant development in the continuing growth of the Company.

Financial

The Company's gross income after paying all royalties increased to \$277,000 for the 1968 fiscal year as compared to \$260,000 for the previous year. This increase resulted principally from an increase of over \$30,000 in oil and gas production income and pipeline revenue.

Cash flow for the 1968 fiscal year was \$35,000 which is a decrease from the 1967 cash flow of \$50,000. The decreased cash flow resulted from increased expenses and interest charges.

During the 1968 fiscal year, the Company recorded a net loss of \$16,000. This is a decrease from the net profit of \$6,000 earned last year. This loss reflects not only the lower cash flow mentioned above, but also the increased charges for depreciation and depletion.

As indicated to the Shareholders in the interim report for the six months' period ended November 30, 1967, the very large start-up costs at Lac La Biche had a temporarily depressing effect on the Company's earnings. Although the Company had hoped to operate at a profit for the full 1968 fiscal year, the increases in expenses related to the installation of over 15 miles of gas gathering system to connect 12 gas wells, the drilling of a record number of both exploratory and development wells, and the increased interest due to monies borrowed to finance the Lac La Biche gas project were sufficient to put the Company in a deficit for the year. These investments and costs related to Lac La Biche were all charged to the 1968 fiscal year; however, the Lac La Biche property will yield the Company substantial profits for many years in the future.

The Shareholders should note when reviewing the balance sheet that the current fair market value of the Company's undeveloped petroleum properties and productive leases far exceeds their book value based on cost as shown in the audited statements.

Land

The Company's inventory of land continued to increase in the 1968 fiscal year. Gross working interest acreage increased to almost 8 million acres and net working interest acreage, after all conversions, increased to almost 500,000 acres. Gross royalty interest stood at an average of 1.58 percent on about 1,400,000 acres equivalent to 14,000 gross royalty-points and, after Crown conversions, to 7,700 net royalty-points.

The working interest land is in prospective oil and gas basins in Alberta, the Yukon Territory, offshore Vancouver Island, in the North Sea off Norway and Holland, and the Republic of South Africa. The royalty acreage is in Alberta, the Northwest Territories, and the Yukon Territory.

Production

Net oil sales for the 1968 fiscal year, after deducting royalty, decreased to 152 barrels/day. For the comparable period in 1967 the Company's net oil production amounted to 174 barrels/day. This decrease resulted principally from the abandonment of a number of old oil leases which were operating at a marginal profit. Recently, however, the Company participated in the drilling of several successful oil wells at Hamilton Lake and in the Clive-Chigwell area. The addition of the oil production from these wells, in which the Company's interest varies from 18.75 percent to 50 percent, should more than offset the loss in production resulting from the necessary abandonments.

Net gas sales for the 1968 fiscal year after deducting royalty increased to a record 2,375 Mcf/day. In the previous fiscal year the Company's net gas production was 1,092 Mcf/day. This substantial increase in gas production was due principally to the substantial volumes now being delivered to Albersun Oil and Gas Ltd.

Exploration

During the 1968 fiscal year the Company participated in the most active exploration and development drilling program in its history. A total of 18 gross wells were drilled of which 10 wells were completed as oil or gas wells. Wells were drilled in the Little Smoky, Clive, Little Bow, Calling Lake, Lac La Biche, and Hamilton Lake areas of Alberta and the Virden area of Manitoba. Of these programs the most significant completions were made in the Lac La Biche, Hamilton Lake, and Clive areas. Further drilling is planned in all of these areas and the Company is very hopeful that these programs will continue to increase its oil and gas reserves.

The Company is actively pursuing other exploratory programs not only in Canada but also in the North Sea off Norway and Holland, and in South Africa. The seismic program in the North Sea off Holland is under way and the seismic program instigated last fall in South Africa has been completed. The first well to be drilled in South Africa on the Company's land should be spudded sometime shortly after the close of the 1968 fiscal year.

During the 1968 fiscal year the Company continued its work on the 98 uranium claims which it operates in the Beaverlodge area of northern Saskatchewan. This remains the most active uranium area in Western Canada and your Company, which owns a 20 percent interest in the claims, has completed all of its preliminary geological studies and a scintillometer survey in the field is now under way.

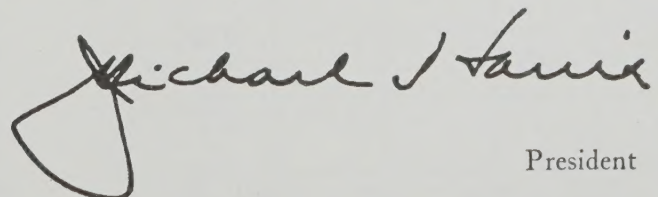
Future

The signing of the gas contract for the Lac La Biche property after several fruitless years of negotiation has placed the Company on a new plateau. Although the expenses for the development drilling program, the acquisition of key tracts of land, and the substantial cost of bringing the Lac La Biche property into full production has placed the Company in a substantial debt position and has resulted in lowering the Company's cash flow and net profit for the 1968 fiscal year, these investments were for opportunities which the Company felt were essential to its competitive position. The future cash to be generated from these investments will be very significant.

The Company plans to continue its program of participating in about 12 wells each year to provide it with exposure to discoveries. In addition the northern regions of Alberta which have yielded such large oil and gas fields as Rainbow and Zama Lake should be explored aggressively once again this winter and the Company is hopeful that several of its royalty blocks will be drilled.

The Board of Directors wish to take this opportunity to extend recognition to all of its employees for their diligent efforts during the past fiscal year but particularly to the engineering department for its work, under adverse winter conditions, in designing, supervising, and installing the Lac La Biche gas gathering system which was completed two weeks prior to the deadline. All of the other divisions of the Company continued to operate effectively and the Board of Directors look forward to a record year for the Company in 1969.

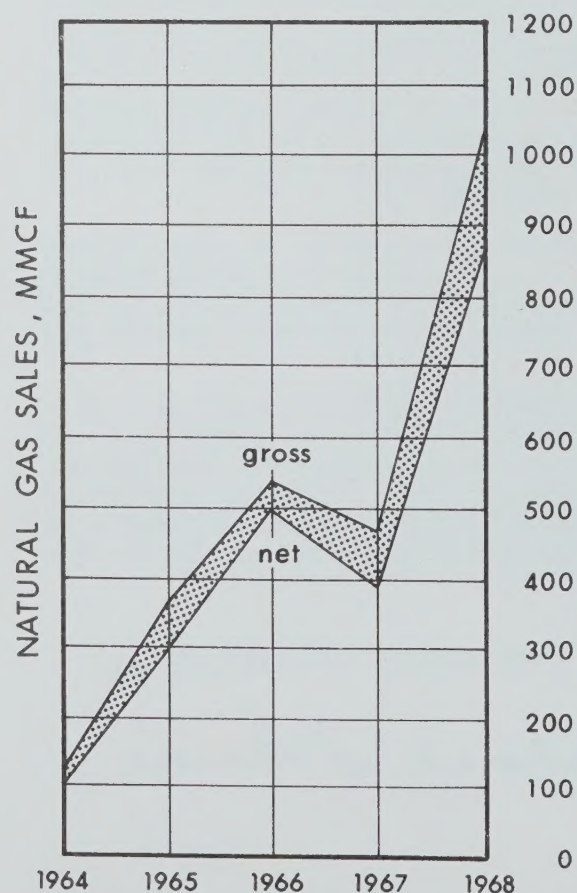
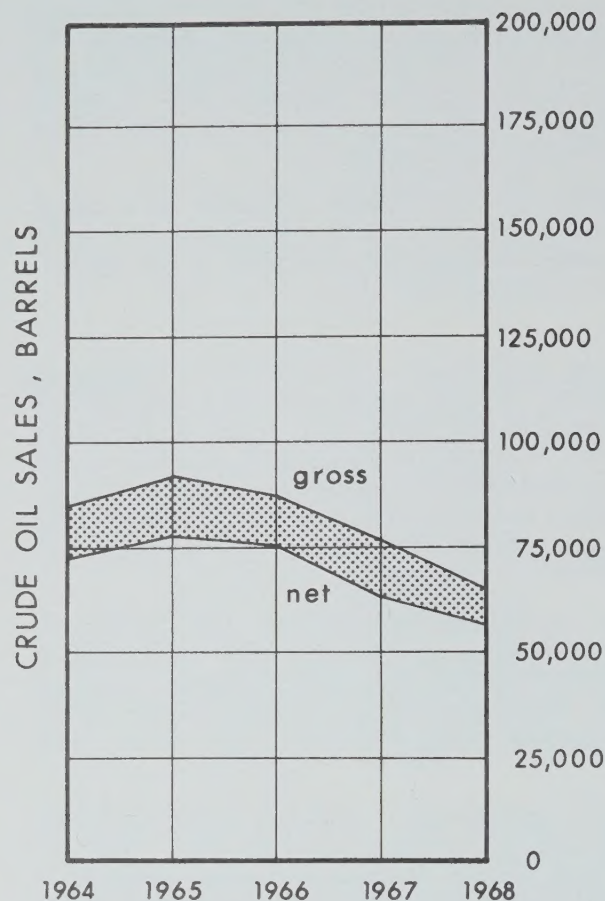
ON BEHALF OF THE BOARD OF DIRECTORS,



September 15, 1968

President

OPERATIONAL REVIEW



Oil Properties

The Company's gross oil sales for the 1968 fiscal year were 65,169 barrels or 179 barrels per day as compared to 79,135 barrels or 217 barrels per day during the previous fiscal year. Net oil sales for the 1968 fiscal year after deducting royalties were 55,651 barrels or 152 barrels per day. For the comparable period in 1967, the Company's net oil sales after deducting royalties were 63,684 barrels or 174 barrels per day. This decrease results mainly from the Company's announced program of abandoning old oil leases which have been operating at marginal profits. The addition of new oil reserves discovered in 1968 and the higher profit now being realized on the remaining oil properties should permit the Company to establish increased production and revenue for the coming fiscal year.

In the 1968 fiscal year the Company began its first secondary oil recovery program. As operator for a group and owning a 50 percent working interest in the project, the Company supervised the drilling of the first well at Hamilton Lake, Alberta. This well was completed as a successful Viking oil well. An application has been submitted to the Alberta Oil and Gas Conservation Board and, if approved, a water injection scheme will be installed in late 1968.

The Company has an interest in 37 gross oil wells equivalent to 20.09 net oil wells.

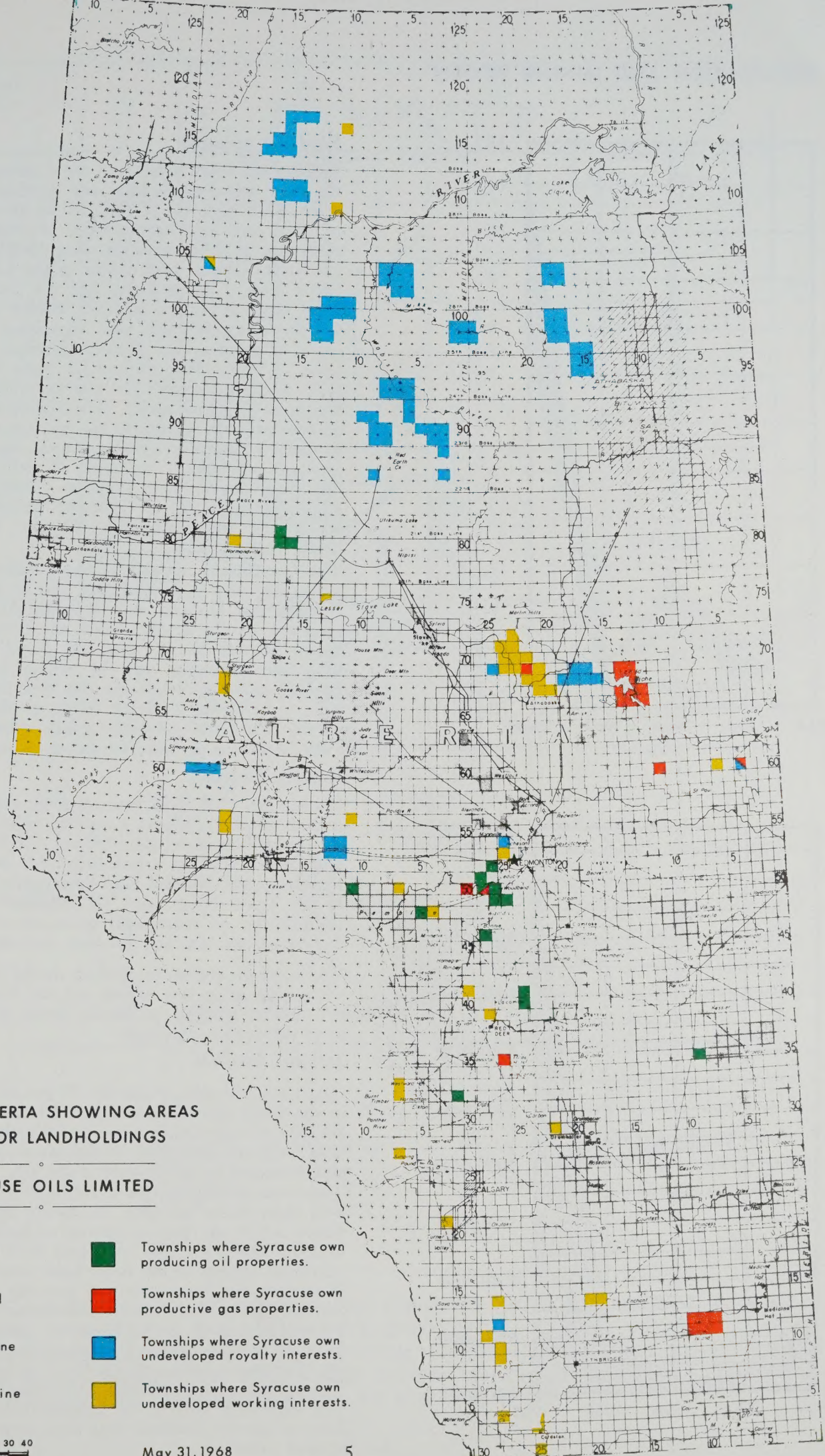
Gas Properties

For the first time in its history the Company's gross gas sales exceeded 1 billion cubic feet per year. During the 1968 fiscal period gross gas sales were 1,022,698 Mcf or 2,801 Mcf/day as compared to gross gas sales last year of only 468,518 Mcf or 1,284 Mcf/day. Net gas sales for the 1968 period after deducting royalties increased to 866,805 Mcf or 2,375 Mcf/day. In 1967 the Company's net gas sales were 398,571 Mcf or 1,092 Mcf/day.

The Company is pleased to report that during the 1968 fiscal year it was successful in obtaining the contract to supply gas to Albersun Oil and Gas Ltd. from the Lac La Biche field. Albersun will transmit the Company's gas for resale to the town of Fort McMurray and to the Great Canadian Oil Sands project near Fort McMurray. The Company has installed approximately 17 miles of pipeline system ranging in size from 3 inches to 10 inches in diameter. This gathering system had, at the end of the fiscal year, connected 12 Company wells to the Albersun market. The wells are performing according to specifications, although the Company is continuing its drilling development program in order to meet anticipated increases in Albersun's needs through the winter of 1968-69.

The Company is also pleased to report that during the 1968 fiscal year it was successful in obtaining a gas purchase contract with Plains-Western Gas and Electric Co. Ltd. for the connection of its Ashmont gas reserves. This property, which is presently developed with 3 gas wells of which 1 is owned 100 percent by the Company and the remaining 2 are owned 50 percent by the Company, should go on stream beginning about November 1, 1968.

The Company has an interest in 35 gross gas wells of which 22 are producing and 13 are shut-in awaiting pipeline connections. These interests are equivalent to 22.09 net gas wells of which 15.67 net wells are producing and the remaining net wells are shut-in.



MAP OF ALBERTA SHOWING AREAS OF MAJOR LANDHOLDINGS

SYRACUSE OILS LIMITED

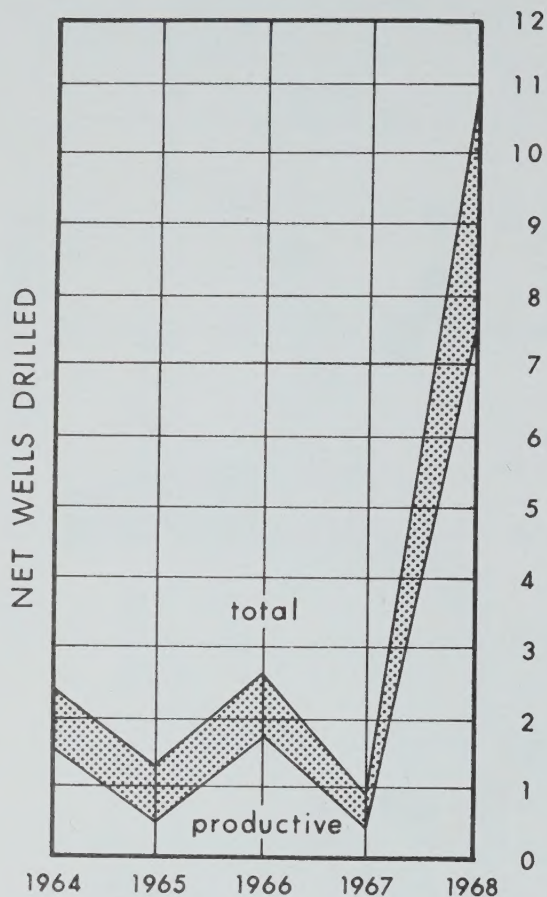
-  Oil field
-  Gas field
-  Oil pipeline
-  Gas pipeline

-  Townships where Syracuse own producing oil properties.
-  Townships where Syracuse own productive gas properties.
-  Townships where Syracuse own undeveloped royalty interests.
-  Townships where Syracuse own undeveloped working interests.

Scale 10 0 10 20 30 40
MILES

May 31, 1968

EXPLORATION AND MINING REVIEW



Working Interest

During the 1968 fiscal year the Company participated in the most active exploration and development drilling program in its history. A total of 18 gross wells equivalent to 10.86 net wells were drilled of which 10 gross wells equivalent to 7.46 net wells were completed as oil and/or gas wells. Wells were drilled in the Little Smoky, Clive, Little Bow, Calling Lake, Lac La Biche and Hamilton Lake areas of Alberta and the Virden area of Manitoba. Of these programs the most significant completions were made in the Lac La Biche, Hamilton Lake and Clive areas. The drilling at Lac La Biche has added substantially to the Company's gas reserves which it has owned in this area for many years. The Hamilton Lake and Clive areas, where the Company has participated in the drilling of three successful oil wells prior to the end of the fiscal year and a further 4 successful oil wells since the close of the fiscal year, bring to the Company's oil division newer, higher profit oil leases to replace the older leases which have been abandoned. Further drilling is planned in all of these areas.

The Company is actively pursuing other exploratory programs not only in Canada but also in the North Sea off Norway and Holland and in South Africa. The seismic programs for the acreage which the Company owns in the North Sea off Norway and the North Sea off Holland have been completed and the seismic program instigated last fall in South Africa has also been finished. The first wells to be drilled in South Africa on the Company's land should be spudded sometime shortly after the close of the 1968 fiscal year at locations shown on page 11.

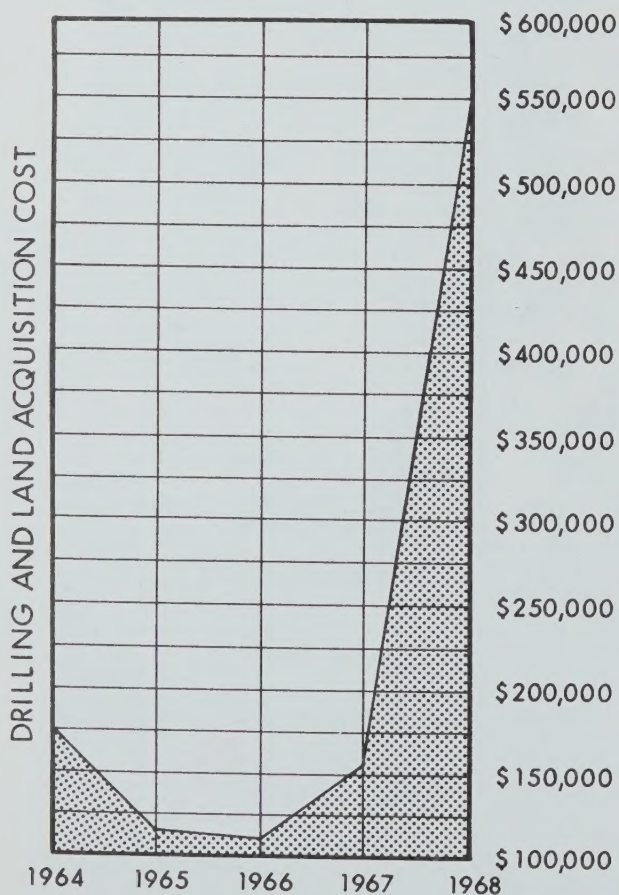
Royalty Interest

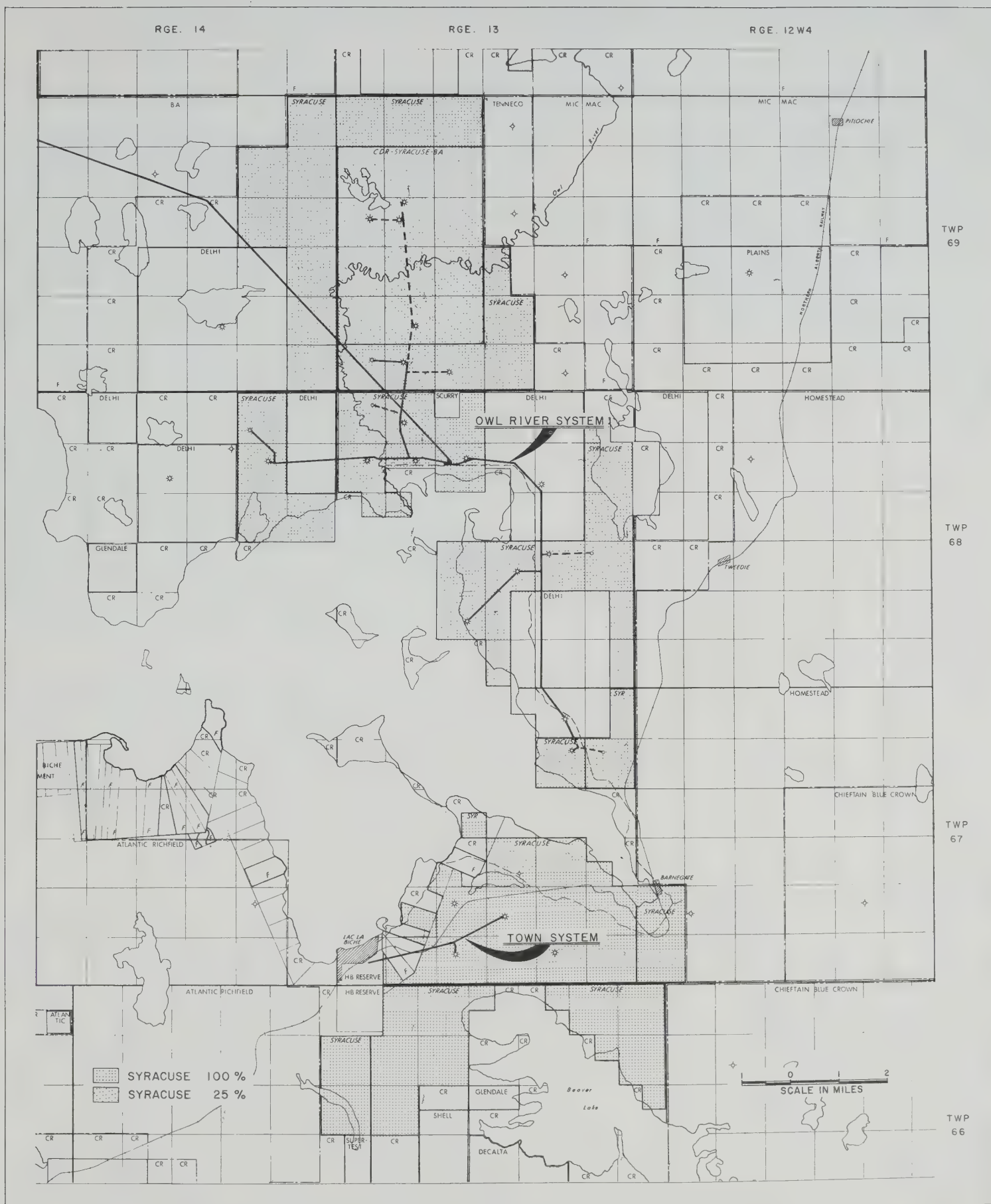
During the 1968 fiscal year only one exploratory well was drilled on the Company's royalty holdings. This well, by Dome Petroleum Limited and Canadian Superior Oil Ltd., was drilled to a total depth of about 4,750 feet on Petroleum and Natural Gas Reservation No. 4407 located in the Loon River area of Alberta. The Company is advised that no commercial quantities of oil or gas were discovered and the well has been abandoned.

The northern regions of Alberta should be explored aggressively once again this winter and the Company is hopeful that several more of its royalty blocks will be included in these exploration programs.

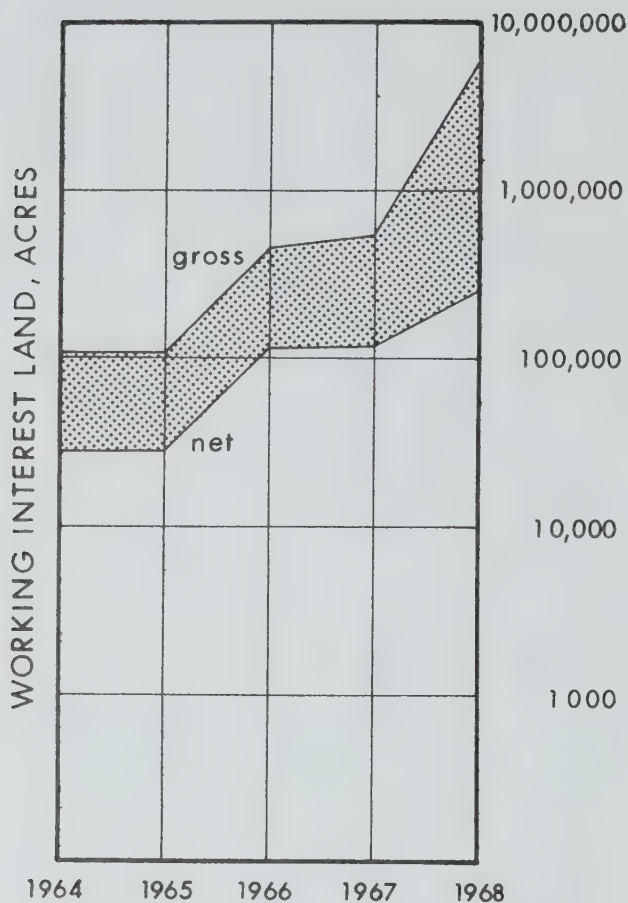
Mining Interest

The Company still retains its 20 percent working interest in the 3,980 acres contained in a 98-claim block located in the Beaverlodge uranium area of Northern Saskatchewan. The Company completed certain work on the 43 uranium claims located in the Hottah Lake area of the Northwest Territories and has decided to retain its 50 percent interest in 8 of these claims and drop its interest in the remaining 35 claims which are not considered prospective for the main uranium showing. The assessment work on the Company's 12 claims located in the Bode Lake area of the Northwest Territories has been completed and this property will be retained for the near future. However, the Company's 31 percent interest in the Pal claims located near Sheldon Lake in the Northwest Territories has been dropped and the Company's option in 13 silver claims located in the Trout Lake area of British Columbia has been dropped. The field work done by the Company's consultants on these latter properties indicated that there were insufficient commercial values.





LAND REVIEW



Working Interest

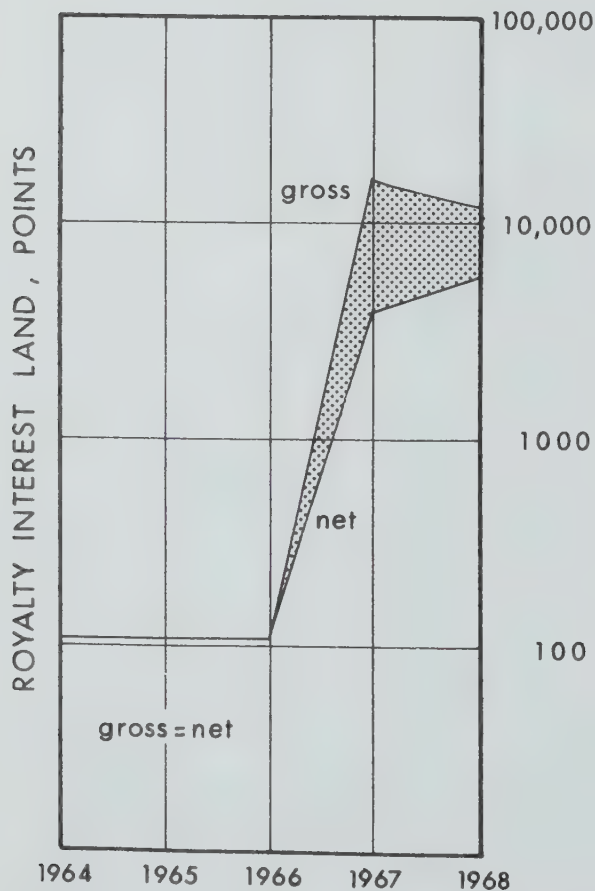
The total acreage owned by the Company increased to a new high of 7,855,042 gross working interest acres at the end of the 1968 fiscal year as compared to 752,873 gross acres which the Company owned after the close of the 1967 fiscal year. The Company's net working interest acreage increased from only 177,818 acres at the end of the 1967 fiscal year to a record 917,031 net acres at the close of this past fiscal year. After allowing for all conversions, the Company's net acreage increased from 117,700 acres at the end of the 1967 fiscal year to 491,934 acres at the end of the 1968 fiscal year. These totals include the Company's 25 percent interest in acreage owned by Syracuse Oils Norge A/S and the Company's 13-1/3 percent interest in acreage owned by Woodford Oil and Gas Ltd.

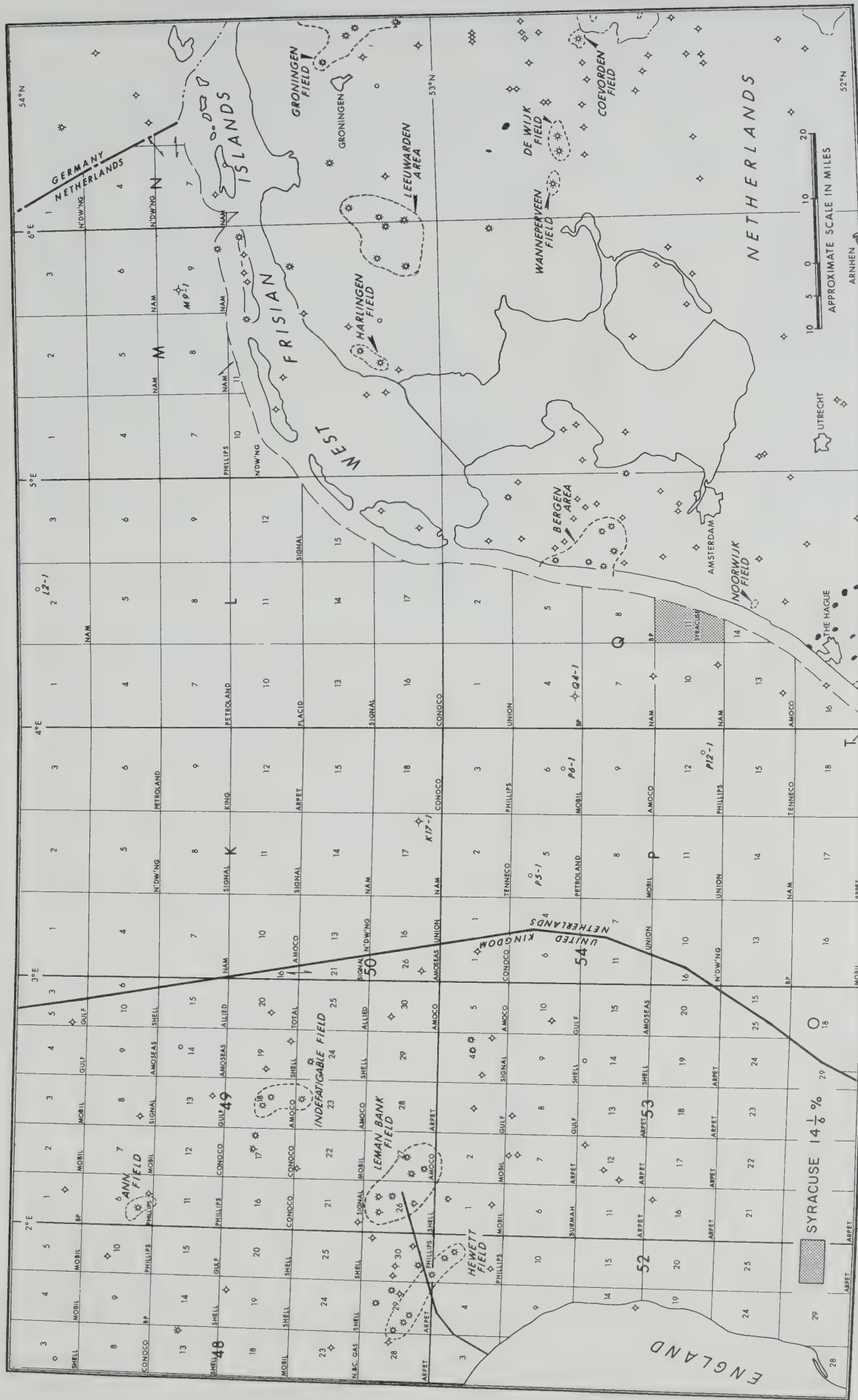
The principal increases in the Company's acreage position were its acquisition of a 10 percent interest, through its shareholdings in Woodford, in a 7 million acre oil and gas concession near Port Elizabeth on the southern coast of South Africa. In addition the Company led a consortium of independent companies in a successful bid for Block Q-11 in the North Sea off Holland. This block, containing 40,000 acres, gives the Company exposure to the prolific Rotliegendes trend in the North Sea which has produced such outstanding fields as Groningen in the Netherlands and the Leman Bank-Indefatigable complex in the English portion of the North Sea.

The principal reductions in the Company's acreage position were the surrender and/or conversion of approximately 156,000 acres at Calling Lake. The Company has completed its multi-well exploratory program in this area and, giving affect to the information gained from the drilling of these wells, has surrendered a number of blocks of reservation land back to the farmor. The Company still maintains an active interest in the Calling Lake area and its acreage position is still substantial.

Royalty Interest

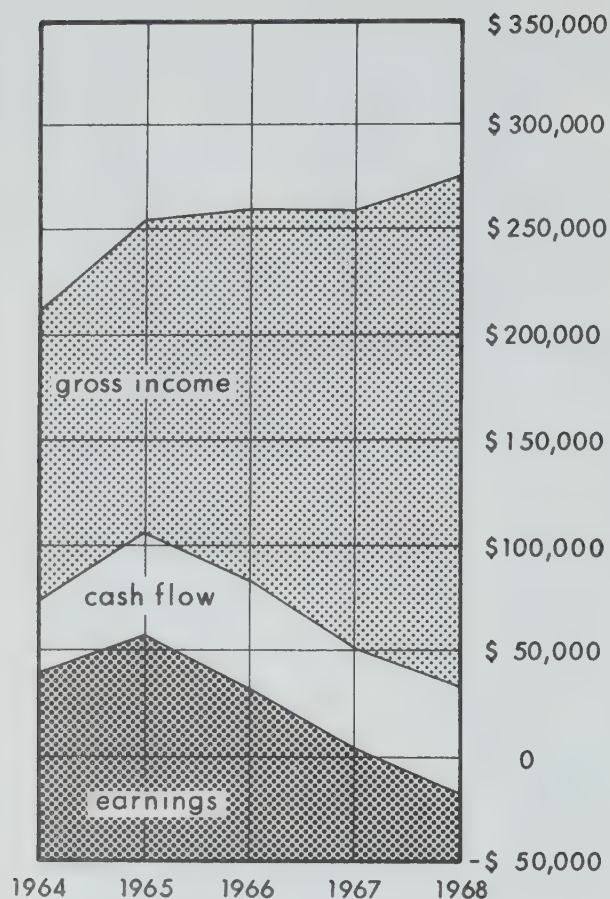
Although the Company acquired a few miscellaneous overriding royalties on certain tracts of land in Alberta, the principal changes in its royalty portfolio were the conversion of certain petroleum and natural gas reservations into lease form. This is a normal occurrence in Alberta and has been previously provided for in your Company's records by reporting to you both the gross interest and the interest after conversion. As at the close of the 1968 fiscal year the Company owned an average gross overriding royalty of about 1.58 percent on 1,415,467 acres as compared to an average gross overriding royalty of about 1.54 percent on 1,520,426 acres at the close of the 1967 fiscal year. The conversion of the reservations reduced the Company's gross royalty-points from 14,683 at the end of the 1967 fiscal year to 13,935 at the end of the 1968 fiscal year. However, the Company acquired sufficient royalties on lease lands to enable it to increase its net royalty-points, after Crown reversion, to 7,689 royalty-points* at the close of the 1968 fiscal year as compared to 7,392 royalty-points owned at the end of the 1967 fiscal year. A royalty-point equals a 1 percent gross overriding royalty on 160 lease acres.





IN THE DUTCH NORTH SEA THE COMPANY OWNS AN INTEREST IN BLOCK Q-11 LOCATED JUST WEST OF AMSTERDAM IN APPROXIMATELY 60 FEET OF WATER. THIS BLOCK IS WITHIN THE MAIN TREND OF ROTLIEGENDES SANDSTONE WHICH IS THE PRINCIPAL RESERVOIR AT SUCH SIGNIFICANT GAS ACCUMULATIONS AS GRONINGEN AND BERGEN, ON-SHORE NETHERLANDS, AND THE LEMAN BANK-INDEFATIGABLE-ANN COMPLEX IN THE ENGLISH PORTION OF THE NORTH SEA.

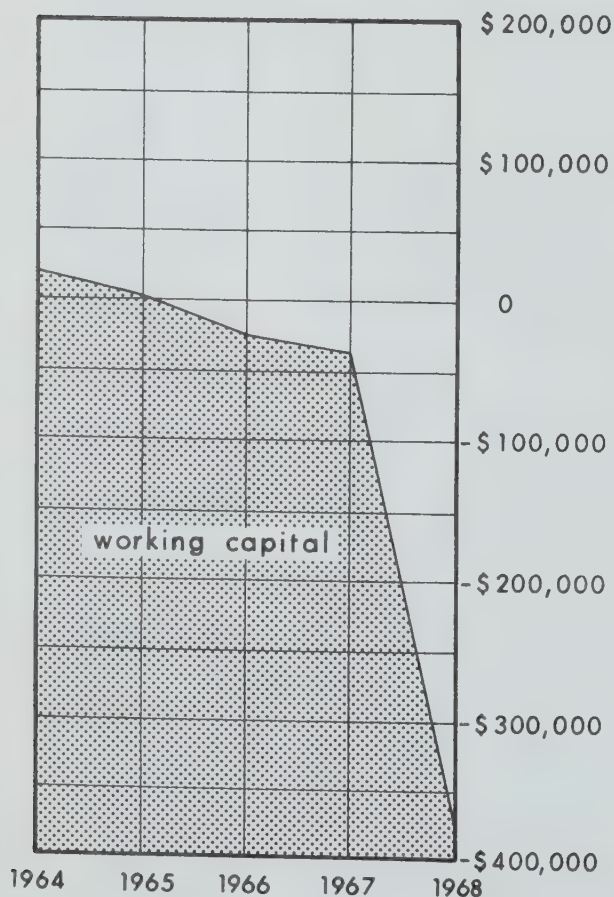
FINANCIAL REVIEW



The Company's gross income after paying all the royalties increased to \$277,045 for the 1968 fiscal year as compared to \$260,259 for the same period last year. This increase mainly reflects a gain of approximately \$30,000 in operating revenues from the Company's oil and gas well divisions.

Cash flow for the 1968 fiscal year was down to \$35,221 from the \$50,212 generated in the 1967 period. This decline in cash flow resulted from a substantial increase in administrative expenses and interest charges which were directly related to the initial start-up cost of the Company's project at Lac La Biche where it had to install a major gathering system and hire additional field help in order to connect the Company's properties to the main transmission line of Albersun Oil and Gas Ltd. An increase of approximately \$9,000 in interest charges was due to the bank loan which the Company arranged in order to finance the installation of this system.

The Company's net profit for the 1968 fiscal year was a loss of \$16,475 as compared to a minor gain last year of \$5,992. Depreciation and development amortization charges for the 1968 fiscal year were about \$8,000 more than the previous fiscal year. This drop in net profit again reflects the aforementioned increase in administrative cost and interest expenses and higher year-end charges related to the Lac La Biche project. As indicated in the Interim Report for the six months' period ended November 30, 1967 the Company, although it had hoped to operate at a profit for the year, expected that the initial start-up costs at Lac La Biche would likely have a temporarily depressing effect on the Company's earnings. Virtually all of the cost for installing this system were charged to the 1968 fiscal year, although this property will produce substantial income to the Company over the next 20 year period.



The working capital of the Company declined to -\$448,168 at the end of the 1968 fiscal year as compared to -\$35,234 at the end of the 1967 fiscal year. This reduction in working capital again reflects the very large accounts payable which the Company has experienced during this past fiscal year due both to its most active and successful drilling program in its history and the installation of the extensive gas gathering system at Lac La Biche.

The shareholders should note when reviewing the balance sheet that the audit does not reflect the current fair market value of the Company's producing leases nor its undeveloped properties. These items are carried at cost or book value on the asset side of the balance sheet and bear no relation to the present day value of these properties which substantially exceeds their book value.

FOUNDED 1907

Nash & Nash
Chartered Accountants

ALAN H. NASH, C.A.
W. ROBERT H. NASH, C.A.
BRYANT D. RICHARDS, C.A.
W. KEITH ADAMS, C.A.
W. B. SIMPSON, C.A.
S. A. LONG, B.COM., C.A.
PAUL R. KEROACK, C.A.
A. D. HOLM, B.COM., C.A.
HUGH K. NASH, C.A.
J. KONEVECKI, C.A.

640-8th Avenue South West
Calgary 2, Alberta

ALBERTA OFFICES
EDMONTON, GRANDE PRAIRIE
CALGARY, PEACE RIVER

CANADIAN PARTNERSHIP
CAMPBELL, SHARP, NASH & FIELD

INTERNATIONAL REPRESENTATION

TELEPHONE 263-6765

Auditors' Report

To the Shareholders of
Syracuse Oils Limited.

We have examined the consolidated balance sheet of Syracuse Oils Limited and its subsidiary companies as at May 31st, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the attached consolidated balance sheet and statements of income, retained earnings and source and application of funds, supplemented by the notes appended thereto, present fairly the financial position of the company and its subsidiary companies as at May 31st, 1968 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta,
August 22nd, 1968.

Nash & Nash
Chartered Accountants.

SYRACUSE OILS LIMITED

and its subsidiary companies

ASSETS

CURRENT ASSETS:	1968	1967
Cash in banks	\$ —	\$ 27,799
Accounts receivable	210,971	158,538
Performance deposits	21,011	9,500
Inventory of oil and supplies, valued at the lower of cost or replacement cost	57,538	26,851
Prepaid and deferred charges	72,420	6,685
	<u>361,940</u>	<u>229,373</u>
FIXED ASSETS:		
Real estate, machinery and equipment, at cost	1,024,083	522,314
Less Accumulated depreciation (Note 1)	350,769	319,856
	<u>673,314</u>	<u>202,458</u>
INVESTMENT IN SHARES OF OTHER COMPANIES:		
Syracuse Oils Norge A/S	250,000	250,000
Woodford Oil & Gas Ltd.	15,000	—
	<u>265,000</u>	<u>250,000</u>
INVESTMENTS IN PETROLEUM AND OTHER PROPERTIES at cost:		
Productive wells	1,156,150	816,493
Unproductive wells	717,439	569,553
Petroleum and natural gas leases, options and interests	382,271	349,107
Gross overriding royalties	326,977	326,978
Mining claims	23,975	25
	<u>2,606,812</u>	<u>2,062,156</u>
Less Accumulated amortization (Note 2)	149,196	129,142
	<u>2,457,616</u>	<u>1,933,014</u>
TOTAL \$	<u><u>3,757,870</u></u>	\$ <u><u>2,614,845</u></u>

The notes on page 18 form an integral part of these statements.

CONSOLIDATED BALANCE SHEET, May 31st, 1968

with comparative figures for 1967

LIABILITIES

CURRENT LIABILITIES:

	1968		1967
Bank overdraft	133,600		—
Bank indebtedness (Secured):			
— Special loan	—	\$	75,000
— Deferred loan payments	48,000		34,000
Accounts payable	621,162		149,911
Royalties payable	7,346		5,696
	<u>810,108</u>		<u>264,607</u>

DEFERRED LIABILITY: (Note 3)

Bank loan, secured by a general assignment under Section 82 of the Bank Act	749,000		136,000
Less Payments due within one year	48,000		34,000
	<u>701,000</u>		<u>102,000</u>

CAPITAL: (Notes 4 and 5)

Authorized - 10,000,000 common shares of no par value			
Issued - 5,164,641 common shares	1,943,827		1,928,827
- (5,144,641 common shares at May 31st, 1967)			

RETAINED EARNINGS:

Contingent liability (Note 6)			
	302,935		319,411
	<u>302,935</u>		<u>319,411</u>
TOTAL	\$ 3,757,870	\$	<u>2,614,845</u>

Approved on behalf of the Board

J. RICHARD HARRIS, *Director*

JAMES S. PALMER, *Director*

Submitted with our report dated August 22nd, 1968.

Wank Wank

Chartered Accountants

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MAY 31st

	1968		1967
Net oil sales after royalties	\$ 147,909	\$	167,356
Net gas sales after royalties	74,309		33,413
Royalty income	11		12
Interest and discounts earned	751		472
Sundry revenue	25,829		11,571
Profit on sale of fixed assets	9,761		15,293
Profit on sale of petroleum properties	3,040		25,842
Pipeline revenue	15,435		6,299
	<u>277,045</u>		<u>260,258</u>
 <i>Less:</i> Well operating and field expenses	 119,262		 116,532
Administrative expenses	104,221		83,934
Interest and exchange	18,341		9,580
	<u>241,824</u>		<u>210,046</u>
 Net revenues before provision for depreciation and development amortization	 35,221		 50,212
 <i>Less:</i> Provision for depreciation (Note 1)	 31,642		 28,068
Provision for development amortization (Note 2)	20,054		16,152
	<u>51,696</u>		<u>44,220</u>
 <i>Net Profit for the year</i>	 \$ (16,475)	\$	 <u>5,992</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED MAY 31st

	1968		1967
Balance, June 1st	\$ 319,410	\$	327,018
Net profit (loss) for the year	(16,475)		5,992
	<u>302,935</u>		<u>333,010</u>
 <i>Less:</i> Amalgamation expenses	 —		 13,600
	<u>\$ 302,935</u>	\$	<u>319,410</u>

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEARS ENDED MAY 31st

Funds Provided	1968	1967
Net revenues for the year before providing for depreciation and development amortization	\$ 35,221	\$ 50,212
Deferred liability - bank loan, less payments due within one year	599,000	13,000
Issue of common shares	15,000	105,790
	<u>\$ 649,221</u>	<u>\$ 169,002</u>
 Funds Applied		
Capital expenditures on wells	487,544	48,122
Acquisition of petroleum and natural gas leases, options, interests, and mining properties	57,114	2,073
Acquisition of gross overriding royalties	—	105,790
Acquisition of fixed assets	502,497	14,500
Investment in shares of Woodford Oil and Gas Ltd.	15,000	—
Amalgamation expenses	—	13,600
	<u>\$ 1,062,155</u>	<u>\$ 184,085</u>
 Decrease in Working Capital	 <u>\$ 412,934</u>	 <u>\$ 15,083</u>

The notes on page 18 form an integral part of these statements.

SYRACUSE OILS LIMITED

and its subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31st, 1968

1. Depreciation

Machinery and equipment are depreciated at rates calculated to write off the costs over periods not exceeding the useful life of the assets.

2. Development Amortization

Provision has been made for the amortization of the drilling and development costs of the wells at the rate of fifteen cents per barrel of oil sold and one cent per thousand cubic feet of gas sold.

3. Bank Loans

Pursuant to an agreement with the Royal Bank of Canada the sum of \$149,000 remains to be advanced under the provisions of a long-term loan for \$750,000. Repayment terms have not been specified and are presently being negotiated. No provision for current instalments on this loan is included in payments due within one year but substantial amounts are expected to become due before May 31st, 1969.

4. Capital Stock Issued

Under an outstanding stock option the company issued 20,000 shares to an employee for cash, at \$0.75 per share.

5. Unissued Capital Stock

Of the 4,835,359 unissued shares at May 31st, 1968, the following stock options are outstanding:

- A) At \$0.75 per share, valid until november 1st, 1971, for 80,000 shares to an employee exercisable at 1/4 per year, non-cumulative.
- B) At \$1 per share, valid until November 2nd, 1972, for 100,000 shares to an officer exercisable at 1/5 per year, non-cumulative.
- C) At \$1 per share, valid until November 2nd, 1972, for 100,000 shares to a director exercisable at 1/5 per year, non-cumulative.

6. Contingent Liabilities

The Company has undertaken to guarantee the obligations of Syracuse Oils Norge A/S to the Norwegian Government. The Company will be indemnified with respect to 75% of these obligations when agreements, presently being made with all of the shareholders of Syracuse Oils Norge A/S, will limit their responsibility to a proportion equal to their share equity in Syracuse Oils Norge A/S.

No Directors' Fees have been paid or accrued for the last two years. However, an informal agreement exists whereby each director is to receive a fee of between \$500 and \$700 per year. Payment of these fees has been suspended for the time being, but it is intended to accumulate the unpaid amounts and to pay them when circumstances permit.

SYRACUSE OILS LIMITED

and its subsidiary Companies

FIVE-YEAR STATISTICAL RECORD

Financial	1968	1967	1966	1965	1964
Net crude oil sales after royalty	\$ 147,909	167,356	194,020	204,684	191,843
Net natural gas sales after royalty	\$ 74,309	33,413	34,857	23,792	10,939
Royalty income	\$ 11	12	70	140	100
Interest and discounts earned	\$ 751	472	490	842	3,516
Sundry revenue	\$ 25,829	11,571	13,919	18,999	3,155
Profit on sale of fixed assets	\$ 9,761	15,293	419	6,053	—
Profit on sale of properties	\$ 3,040	25,842	12,375	—	—
Pipeline revenue	\$ 15,345	6,299	3,197	—	—
GROSS INCOME	\$ 277,045	260,258	259,347	254,510	209,553
Lease operating expenses	\$ 119,262	116,532	121,123	111,191	106,913
Administrative expenses	\$ 104,221	83,934	48,899	33,887	30,934
Interest and exchange expenses	\$ 18,341	9,580	8,468	5,067	168
TOTAL EXPENSES	\$ 241,824	210,046	178,490	150,145	138,015
CASH FLOW	\$ 35,221	50,212	80,857	104,365	71,538
Depreciation	\$ 31,642	28,068	31,285	30,170	23,191
Development amortization	\$ 20,054	16,152	18,551	17,307	13,774
NET PROFIT	\$ (16,475)	5,992	31,021	56,888	34,573
Working capital	\$ (448,168)	(35,234)	(20,152)	117	18,812
Long-term debt	\$ —	—	—	—	—
Bank loans	\$ 749,000	211,000	137,000	128,100	35,000
Common stock - authorized	10,000,000	10,000,000	6,000,000	4,000,000	4,000,000
Common stock - outstanding	5,164,641	5,144,641	4,490,686	3,990,686	3,990,686
Net worth	\$ 2,246,762	2,248,238	1,928,868	1,647,846	1,590,958
Operating					
Oil sales, gross bbls	65,169	79,135	84,423	90,966	83,281
Oil sales, net bbls after royalty	55,651	63,684	74,138	77,037	71,011
Gas sales, gross Mcf	1,022,398	468,518	548,677	363,351	129,901
Gas sales, net Mcf after royalty	866,805	398,571	500,269	313,763	104,985
Gross working interest land, acres	7,855,042*	752,873*	668,037*	105,820	102,820
Net working interest land, acres	917,031*	177,818*	173,456*	57,684	55,116
Net working interest land after conversions, acres	491,934*	117,700*	115,850*	57,684	55,116
Gross royalty land, points	13,935	14,683	101	101	101
Net royalty land, points	7,689	7,392	101	101	101
Gross oil wells	37	38	36	34	30
Net oil wells	20.09	22.61	24.36	25.37	23.47
Gross gas wells producing	22	9	7	4	4
Net gas wells producing	15.67	3.34	3.05	2.75	2.75
Gross gas wells shut-in	13	17	18	12	12
Net gas wells shut-in	6.42	12.17	12.42	10.42	10.42
Employees	11	7	6	6	6
Drilling Program					
Drilling and land acquisition costs	\$ 544,658	155,985	110,674	116,363	173,596
Total gross wells drilled	18	4	12	6	11
Total net wells drilled	10.86	0.88	2.65	1.25	2.43
Gross oil wells drilled	3	—	2	—	4
Net oil wells drilled	1.18	—	0.25	—	0.80
Gross gas wells drilled	7	2	6	1	3
Net gas wells drilled	6.28	0.38	1.56	0.50	0.75

* Includes Company's interest of 25 percent in acreage owned by Syracuse Oils Norge A/S and 13-1/3 percent in acreage owned by Woodford Oil & Gas Ltd.



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